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April 19, 2012

**EX PARTE COMMUNICATION
VIA ELECTRONIC FILING**

Ms. Marlene H. Dortch
Secretary
Federal Communications Commission
445 12th Street, SW
Washington, DC 20554

Re: *Developing a Unified Intercarrier Compensation Regime et al*, CC Docket No. 01-92; WC Docket No. 05-337; WC Docket No. 07-135; WC Docket No. 10-90; GN Docket No. 09-51; CC Docket No. 96-45; and WC Docket No. 03-109 Notice of *Ex Parte* Filing.

Dear Ms. Dortch:

The Alaska Rural Coalition¹ ("ARC") hereby responds to the ex parte filed by General Communication, Inc. ("GCI") on April 18, 2012.² The ARC respectfully disagrees with the arguments presented by GCI, but believes the substance of GCI's filing strengthens the ARC's request for Reconsideration of the competitive dynamic created by the two year delay for GCI's wireline business and the lack of consistent application of rules, including an urban benchmark.³ The ARC seeks reconsideration of the unintended consequence produced by the

¹ The ARC is composed of Arctic Slope Telephone Association Cooperative, Inc., Bettles Telephone, Inc., Bristol Bay Telephone Cooperative, Inc., Bush-Tell, Inc., Circle Telephone & Electric, LLC, Cordova Telephone Cooperative, Inc., Copper Valley Telephone Cooperative, Inc., City of Ketchikan, Ketchikan Public Utilities, Matanuska Telephone Association, Inc., OTZ Telephone Cooperative, Inc., Interior Telephone Company, Mukluk Telephone Company, Inc., Alaska Telephone Company, North Country Telephone, Inc., Nushagak Electric and Telephone Company, Inc., The Summit Telephone and Telegraph Company, Inc., and Yukon Telephone Company, Inc.

² See Ex Parte Notice, John Nakahata, General Communication, Inc. to Marlene Dortch, Secretary, Federal Communications Commission, WC Dkt Nos. 10-90 et al (filed April 18, 2012) ("Nakahata Ex Parte").

³ See Alaska Rural Coalition Petition for Reconsideration, WC Docket Nos. 10-90 et al. (Dec. 29, 2011) ("ARC Petition for Reconsideration") at 6. "All parties should be afforded equal treatment and timeframes for implementation of the reform processes." *Id.* The ARC believes treating all wireline companies similarly benefits all of Alaska by preserving the competitive marketplace in the long term.

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Transformation Order, direct competitors receiving disparate high cost support and regulation.⁴ GCI's wireline business directly competes with the ARC ETCs. The two year delay afforded all CETCs provides a competitive advantage to GCI in the local market while at the same time GCI can and will price its local telephone service as cheaply as necessary to capture customers and the associated high cost support.

The ARC cited GCI's low local rate (\$7.99 in the No Limits Bundle) in its April 16, 2012 Ex Parte to illustrate that GCI is leveraging its frozen high cost support to produce an imbalance in the local, wireline marketplace.⁵ GCI argues that the Commission should consider only its R-1 rate and disregard the bundled rate being aggressively advertised throughout Alaska.⁶ GCI further argues that its R-1 rate complies with the urban benchmark.⁷ GCI also baldly suggests that it could manipulate its \$10 promotion to avoid any regulatory consequence considered by the Commission.⁸

GCI cannot and does not deny that it is offering a \$10 discount to new local customers, especially those taking advantage of the No Limits bundle featuring \$7.99 local service. Indeed, GCI points to its technical compliance while defying the intent and spirit of the *Transformation Order*.⁹ GCI's convoluted attempt to justify its below market local rates lends support to Commission action to bring stability to the local market in Alaska.

GCI suggests that applying a rate floor to wireline CETCs should result in lower support to the ETC.¹⁰ As GCI must be aware, the ARC companies all face imminent cuts in high cost

⁴ See ARC Petition for Reconsideration at 7. "Public policy considerations support treating all carriers in the remote areas of Alaska in the same manner." *Id.*

⁵ Ex Parte Notice, Shannon M. Heim, Alaska Rural Coalition to Marlene Dortch, Secretary, Federal Communications Commission, WC Dkt Nos. 10-90 et al (filed April 16, 2012).

⁶ See Nakahata Ex Parte at 2.

⁷ See Nakahata Ex Parte at 2.

⁸ See Nakahata Ex Parte at 4. "This inclusion of this \$10 promotional discount in the local tariff is not required, and GCI could shift a portion of the promotion to its interstate rates to stay above the \$10 rate floor." *Id.*

⁹ See *Connect America Fund, A National Broadband Plan for our Future, Establishing Just and Reasonable Rates for Local Exchange Carriers, High-Cost Universal Service Support, Developing an Unified Intercarrier Compensation Regime, Federal-State Joint Board on Universal Service, Lifeline and Link-Up*, Report and Order and Further Notice of Proposed Rulemaking, WC Docket No. 10-90, 05-337, 07-135, 03-109, CC Docket Nos. 01-92, 96-45, GN Docket No. 09-51 (Nov. 18, 2011) ("*Transformation Order*") at para 235. "We do not believe that Congress intended to create a regime in which universal service subsidizes artificially low local rates in rural areas..." *Id.*

¹⁰ See Nakahata Ex Parte at 4. See also Ex Parte Notice, John Nakahata, General Communication, Inc. to Marlene Dortch, Secretary, Federal Communications Commission, WC Dkt Nos. 10-90 et al

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support. The ILECs must comply with the rate floor and face a similar penalty for failure to comply.¹¹ GCI's argument that it's below market pricing should be "imputed" to the ILEC ignores the fact that the ILEC has provided detailed cost justification for its rates. To allow a CETC to manipulate the market in the short and long term fundamentally disregards the purpose of rational regulation. To allow GCI to establish an artificially low (or USF-funded) rate benchmark would perpetuate the competitive imbalance at the root of the ARC's Petition for Reconsideration.

The ARC concurs with GCI that the proposals advocated by each company stand in stark contrast. The ARC seeks an even handed application of the rules to facilitate competition and investment. GCI seeks additional benefit for itself and permission to continue its pricing strategy.

Sincerely,



Shannon M. Heim

cc: Michael Steffen
Angela Kronenberg
Christine Kurth
Sharon Gillett
Carol Matthey
Patrick Halley
Amy Bender
Ted Burmeister
Joseph Cavender

(filed April 19, 2012) ("Nakahata Ex Parte"). GCI provides no legal or factual support in the record for its contention.

¹¹ See *Transformation Order* at para. 239.